

## Message Text

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ACTION STR-07

INFO OCT-01 NEA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00  
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02  
OMB-01 DOE-15 OIC-02 /126 W  
-----106346 200231Z /73

R 191706Z JUL 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC 2295  
INFO AMEMBASSY TEHRAN

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USMTN

STR PASS FOR ACTION  
STR CODEL

E.O. 11652: N/A  
TAGS: MTN, ETRD, GATT, IR  
SUBJECT: MTN: US-IRAN BILATERAL

1. SUMMARY: US MTN DEL HAS MET WITH DR. KHOSROW FATEMI, DIRECTOR GENERAL FOR INTERNATIONAL COOPERATION, MINISTRY OF COMMERCE, TEHRAN. THE DISCUSSIONS WERE VERY POSITIVE AND SUGGEST THAT IRAN IS SERIOUSLY CONSIDERING GATT MEMBERSHIP. END SUMMARY.

2. IN A VISIT TO THE MTN DEL ON JULY 5 DR. FATEMI MET WITH AMBASSADOR MCDONALD WHO WELCOMED IRANIAN INTEREST IN THE NEGOTIATIONS NOTING THAT ACTIVE IRANIAN PARTICIPATION WOULD BE CONSISTENT WITH IRANIAN DEVELOPMENT ASPIRATIONS. HE POINTED OUT THAT SOME OF THE ADVANTAGES TO BE DERIVED FROM THE NEGOTIATIONS MAY NOT BE READILY AVAILABLE TO NON-LIMITED OFFICIAL USE

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PARTICIPANTS. AMBASSADOR MCDONALD SAID THAT THE UNITED STATES WOULD WELCOME IRANIAN MEMBERSHIP IN THE GATT SHOULD IRAN SO DECIDE.

3. IN THE FOLLOWING DISCUSSION WITH US DEL (LANDE, GRAEF, MEYERS, WALLAR) FATEMI EXPLAINED THAT IRANIAN FAILURE TO RESPOND TO US TOKYO ROUND REQUESTS WAS DUE IN PART TO A

GENERAL REVIEW OF IRANIAN TRADE POLICY WHICH HAS BEEN UNDERWAY FOR SEVERAL MONTHS. FATEMI EXPLAINED THAT THE PURPOSE OF HIS TRIP IS TO MAKE PROPOSALS CONCERNING FUTURE IRANIAN TRADE POLICY VIS-A-VIS INTERNATIONAL ORGANIZATIONS AND THAT HE WOULD BE MAKING RECOMMENDATIONS, HOPEFULLY BY THE END OF JULY, CONCERNING PARTICIPATION IN THE TOKYO ROUND AND GATT MEMBERSHIP. HE EXPLAINED THAT SINCE 1973 AND 1974 WHEN OIL PRICES WERE INCREASED IRAN MADE NO SERIOUS EFFORTS TO EXPAND ITS EXPDRTS NOR TO ENCOURAGE IMPORTS OF NEEDED ITEMS. THE GOI HAS NOW COME TO THE REALIZATION THAT IRAN CAN NO LONGER RELY ON OIL INCOME ALONE AND MUST DIVERSIFY ITS ECONOMY.

4. US DEL BRIEFLY REVIEWED TROPICAL PRODUCTS NEGOTIATIONS INDICATING THAT TECHNICALLY WHILE OUR OFFER IS STILL ON THE TABLE, FOR PRACTICAL PURPOSES, TIME WAS RUNNING VERY SHORT FOR ACTION WITHIN THE TOKYO ROUND TIMEFRAME. US DEL POINTED OUT THAT THE JULY 15 TARGET DATE FOR POLITICAL LEVEL AGREEMENT ON AS MANY ISSUES AS POSSIBLE WAS FAST APPROACHING BUT THAT THE UNITED STATES WOULD BE IN A POSITION TO NEGOTIATE WITH IRAN IN THE FALL. US DEL POINTED OUT THAT THE TOKYO ROUND MAY WELL BE THE LAST LARGE MULTILATERAL NEGOTIATION OF ITS KIND FOR MANY YEARS AND THAT IRAN'S ECONOMIC DIVERSIFICATION PROGRAM WOULD SEEM TO ARGUE FOR ACTIVE IRANIAN PARTICIPATION IN THE DETERMINATION OF THE NEW TRADE SYSTEM.  
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5. IN A DISCUSSION OF THE SUBSIDIES/COUNTERVAILING DUTY CODE FATEMI ASKED IF RESTRICTIONS ON SUBSIDIES WOULD REDUCE THE CHANCES FOR THE DEVELOPMENT OF NEW EXPORT INDUSTRIES. US DEL REPLIED THAT THE TENTATIVE THINKING IS THAT S&D FOR LDCS MIGHT INCLUDE LIMITED DEROGATIONS FROM THE CODE'S OBLIGATIONS, BUT THAT IF SUBSIDIES CAUSED INJURY, SIGNATORIES WOULD HAVE RECOURSE TO COUNTERVAILING DUTIES. IN THIS REGARD, US DEL NOTED THAT BENEFITS (E.G. US ADOPTION OF INJURY TEST) WOULD ONLY ACCRUE TO SIGNATORIES OF THE NEW ARRANGEMENT. US DEL ALSO EXPLAINED IN GENERAL TERMS THE CONTENT OF OTHER CODES UNDER NEGOTIATION.

6. FATEMI SAID THAT TECHNICAL LEVEL PERSONNEL IN TEHRAN FAVOR GATT MEMBERSHIP AND THAT HIS REPORT WILL RECOMMEND IT BUT THAT IT IS EXTREMELY DIFFICULT TO GET POLITICAL LEVEL ATTENTION IN TEHRAN.

7. FATEMI EXPRESSED CONSIDERABLE CONCERN AT THE DISCREPANCY BETWEEN US IMPORT STATISTICS AND IRANIAN EXPORT STATISTICS, WHICH HE ASCRIBED AT LEAST IN PART TO UNDERDECLARING BY IRANIAN EXPORTERS. (US STATISTICS ON NON-OIL

IRANIAN IMPORTS INTO THE US ARE THREE TO FOUR TIMES AS GREAT AS IRANIAN EXPORT STATISTICS.)

8. IN MEETING THE FOLLOWING DAY FATEMI EXPRESSED HIS PERSONAL VIEW THAT THE US OFFER ON PISTACHIO NUTS (TSUSA 14526; REDUCTION FROM CURRENT AVE OF 0.3 TO BOUND ZERO) WOULD BE OF LIMITED INTEREST TO IRAN BECAUSE HE DOUBTED IRAN COULD EFFECTIVELY COMPETE WITH ANTICIPATED DOMESTIC US PRODUCTION. ON ANOTHER ITEM IN THE US OFFER OF PARTICULAR INTEREST TO IRAN, FLOOR COVERINGS, PILE HAND INSERTED, (TSUSA 36015; REDUCTION FROM AN AVE OF 11.0 PER CENT TO 6.2 PER CENT, A FULL 44 PER CENT FORMULA REDUCTION) FATEMI REPORTED THAT SINCE THE INDUSTRY IS OPERATING AT

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MAXIMUM OUTPUT AND IS UNLIKELY TO GROW THE CONCESSION PROBABLY IS NOT OF GREAT INTEREST. HE INDICATED, HOWEVER, THAT HIS VIEWS WERE STRICTLY PERSONAL SINCE HE IS NOT INVOLVED WITH PRODUCT SPECIFIC NEGOTIATIONS. HE SAID THAT A DETAILED EXAMINATION OF THE US OFFER AND PRODUCTION OF A LIST OF POTENTIAL IRANIAN EXPORT INTERESTS ARE UNDERWAY IN TEHRAN.

9. DURING THE WEEK OF JULY 15 FATEMI WAS IN TOUCH WITH

THE US DEL SEVERAL TIMES, AND REPEATED EARLIER STATEMENTS  
THAT HE WOULD BE RECOMMENDING GATT MEMBERSHIP FOR IRAN.

10. WE SUGGEST THAT EMBASSY CONTINUE ITS HELPFUL CONTACTS  
WITH FATEMI AND OTHER GOI OFFICIALS, ENCOURAGING THEM  
TO RESPOND SPECIFICALLY TO THE US OFFER AND TO TABLE  
REQUESTS AS SOON AS POSSIBLE, WHILE POSSIBLE IRANIAN GATT  
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MEMBERSHIP IS A STRICTLY UNILATERAL DECISION, EMBASSY  
OFFICIALS CAN POINT OUT THAT THE USG WOULD CONSIDER  
IRANIAN MEMBERSHIP AS A CONTRIBUTION TO THE TOKYO ROUND.

11. DRAFTED BY MEYERS. MCDONALD

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## Message Attributes

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**Concepts:** TARIFF NEGOTIATIONS, TRADE AGREEMENTS  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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